

MANAGEMENT OF THE
COMMANDER'S EMERGENCY
RESPONSE PROGRAM IN IRAQ
FOR FISCAL YEAR 2006

SIGIR-07-006
APRIL 26, 2007

Report Documentation Page			<i>Form Approved OMB No. 0704-0188</i>	
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1. REPORT DATE 26 APR 2007	2. REPORT TYPE	3. DATES COVERED 00-00-2007 to 00-00-2007		
4. TITLE AND SUBTITLE Management of the Commander's Emergency Response Program in Iraq for Fiscal Year 2006				
5a. CONTRACT NUMBER				
5b. GRANT NUMBER				
5c. PROGRAM ELEMENT NUMBER				
6. AUTHOR(S)				
5d. PROJECT NUMBER				
5e. TASK NUMBER				
5f. WORK UNIT NUMBER				
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Office of the Special Inspector General for Iraq Reconstruction, 400 Army Navy Drive, Arlington, VA, 22202-4704				
8. PERFORMING ORGANIZATION REPORT NUMBER				
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				
10. SPONSOR/MONITOR'S ACRONYM(S)				
11. SPONSOR/MONITOR'S REPORT NUMBER(S)				
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited				
13. SUPPLEMENTARY NOTES The original document contains color images.				
14. ABSTRACT				
15. SUBJECT TERMS				
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES 38
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified		19a. NAME OF RESPONSIBLE PERSON



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

April 26, 2007

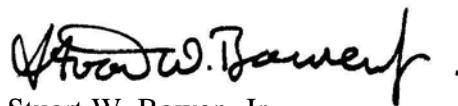
MEMORANDUM FOR COMMANDING GENERAL, MULTI-NATIONAL FORCE-IRAQ COMMANDING GENERAL, MULTI-NATIONAL CORPS-IRAQ U.S. AMBASSADOR TO IRAQ DIRECTOR, IRAQ RECONSTRUCTION MANAGEMENT OFFICE

**SUBJECT: Management of the Commander's Emergency Response Program in Iraq for
Fiscal Year 2006 (SIGIR-07-006)**

This audit report is provided for your information and use. This review specifically sought to determine whether the Multi-National Corps-Iraq had established and implemented adequate management controls over the Commander's Emergency Response Program for fiscal year 2006.

We considered comments received on the draft of this report from the Multi-National Corps-Iraq when preparing the final report. The comments are addressed in the report, where applicable, and a copy of the response letter is included in the Management Comments section of this report.

We appreciate the courtesies extended to the staff. For additional information on this report, please contact Mr. Joseph T. McDermott (joseph.mcdermott@sigir.mil / 703-428-1100); or Mr. Clifton Spruill at (clifton.spruill@iraq.centcom.mil / 703-343-9275). For the report distribution, see Appendix G.



Stuart W. Bowen, Jr.
Special Inspector General for Iraq Reconstruction

cc: See Distribution

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Management of the Commander's Emergency Response Program in Iraq for Fiscal Year 2006

SIGIR-07-006

April 26, 2007

Executive Summary

Introduction

In fiscal year 2006, the Congress appropriated \$923 million for the Commander's Emergency Response Program (CERP), of which \$510 million was allocated to the Multi-National Corps-Iraq (MNC-I), a subordinate command of the Multi-National Force-Iraq (MNF-I). CERP enables U.S. military commanders in Iraq and Afghanistan to undertake a variety of non-construction and construction activities to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibility. This may include making condolence payments after combat operations, providing funds for repairs, purchasing critical infrastructure equipment, or conducting large-scale civic cleanups that employ as many Iraqis as possible. As of September 30, 2006, MNC-I reported it had obligated \$510 million for over 3,800 CERP projects.

Over the last two years, the Special Inspector General for Iraq Reconstruction (SIGIR) has issued three reports¹ on the management controls and accountability of the CERP family of funds.² All three reports stated that, generally, CERP funds were used in accordance with published guidance.³ However, we consistently found that Coalition forces did not fully comply with the published guidance for maintaining the documentation required to ensure accountability and oversight of CERP projects.

¹ *Management of the Commander's Emergency Response Program for Fiscal Year 2004* (SIGIR-05-014, October 13, 2005); *Management of the Commander's Emergency Response Program for Fiscal Year 2005* (SIGIR-05-025, January 23, 2006); *Management of the Iraqi Interim Government Fund* (SIGIR-06-031, October 27, 2006).

² The CERP family of funds consists of the Commander's Emergency Response Program, the Commanders Humanitarian Relief and Reconstruction Program, and the Interim Iraqi Government Fund.

³ Management guidance is set forth in MNC-I's "Commander's Emergency Response Program (CERP) Family of Funds Standard Operating Procedures," revised April 24, 2006.

Objectives

The objectives of this audit were to determine:

- What controls are in place to ensure the accountability of CERP funds and project records?
- Were CERP funds used for intended and authorized purposes?
- What is the status of coordination of CERP with other reconstruction funds and programs, particularly for larger CERP reconstruction projects with strategic value?
- What performance measures are in place to evaluate the effectiveness of the individual CERP projects in relationship to the overall goals of the CERP program?
- How are commanders ensuring sustainment of completed CERP projects by the Government of Iraq?
- How are CERP projects transferred to the Government of Iraq?

This review further assessed actions taken by U.S. government officials on the recommendations made in our prior reports on CERP.

Results

MNC-I has improved controls over fund accountability, but weaknesses remain in project documentation. To strengthen fund accountability, MNC-I now uses two management information systems to track and reconcile CERP financial and project data: the Iraq Reconstruction Management System (IRMS) and the Army accounting system.⁴ However, not all CERP project documentation was complete or on file with MNC-I in accordance with applicable guidance. CERP documentation is required to be submitted quarterly by major subordinate commands (MSC). Of the files we requested for sample review, MNC-I could only provide 122 of 173 project folders—105 random sample and 17 judgmental sample—or 71%; and many key project documents were missing from the folders we reviewed. The absences of these key documents, which help to certify the proper accountability for, and disbursements of funds, represent an internal control vulnerability. Furthermore, MNC-I does not maintain monthly status of funds reports from MSCs to the MNC-I Comptroller's Office, which would support the reconciliation of financial and project data. These reports document whether commanders are monitoring CERP fiscal controls and program procedures. However, there was no documented requirement for MNC-I to keep copies of these reports on file for any specific period of time.

⁴ The Army accounting system is the Standard Financial System (STANFINS).

Using applicable guidance and our sample review of available documentation for 122 projects, we determined that fiscal year 2006 CERP funds were used for intended and authorized purposes. The MSC commanders have the authority to approve projects less than \$500,000 without MNC-I approval, as long as the projects meet the standards outlined in CERP directives and guidance. Projects over \$500,000 must be approved by the MNC-I Commanding General.

MNC-I has continued to make improvements in coordinating its CERP projects with the Iraq Reconstruction Management Office (IRMO)⁵ and the U.S. Agency for International Development (USAID), as well as with Iraqi provincial and national government entities. For example, in fiscal year 2006, MNF-I established the Joint Reconstruction Operations Center (JROC) under the Gulf Region Division of the U.S. Army Corps of Engineers. Through the weekly meeting of the Joint Planning Commission—comprising MNF-I, MNC-I, IRMO, USAID, Iraqi representatives and Baghdad Amanat engineers,⁶—the JROC coordinates and synchronizes reconstruction projects from all the reconstruction players with the Government of Iraq in support of the Baghdad Security Plan. In addition, JROC maintains a list of prioritized projects for the Baghdad Amanat. MNC-I needs to continue to reinforce this coordination effort with its MSC commanders to ensure that CERP projects are successfully integrated with USAID and IRMO reconstruction operations.

However, according to IRMO staff, the level of coordination for CERP activity outside of Baghdad was dependent on the province where the project was occurring and varies on the strength of the provincial reconstruction and development committee (PRDC) and the operational abilities of the provincial reconstruction team (PRT).

Measuring the effect of a CERP project is often complex and difficult. MNC-I coordinates the efforts of several staff offices (project management, financial management, etc.) to determine the intended effects of CERP projects in a city or region. The assessment process considers polling results, operational reports, and subject-matter expert reports in a holistic methodology so that all the effects and impacts of a project are captured and measured. For example a CERP-funded security project did not directly cause economic growth in an area. However, because of the increased security the project provided, the second-order impact of free trade was enabled, which increased economic activity in the area. Polling of Iraqis, for example, would show that CERP projects provided jobs to Iraqis; and/or Iraqis indicated that they noticed the Coalition's reconstruction efforts (i.e. the reconstruction was visible to them).

Although we made a recommendation to address transfer and sustainment in our previous report,⁷ this condition remains since we determined that there is no specific MNC-I guidance for the transfer or sustainment of CERP projects to the Government of Iraq. Approximately 97% (3,716) of the CERP projects in fiscal year 2006 cost under

⁵IRMO coordinates Iraq reconstruction activities for the Department of State.

⁶ Baghdad Amanat (City Hall) is responsible for municipal services (water, sewerage, solid waste disposal, urban planning, roads, municipal buildings, and parks) to the metropolitan region of Baghdad.

⁷ SIGIR-05-025, January 23, 2006.

\$500,000 and probably required little transfer or sustainment planning. We believe that the larger projects—those over \$500,000 in the essential services sectors (water and electricity)—will likely require some level of transfer or sustainment planning. Only 3% (138) of the CERP projects are valued over \$500,000, and encompass 47% (\$235 million) of the \$510 million obligated for fiscal year 2006. Some transfer and sustainment coordination occurs through such venues as the MSC commanders meetings with the PRDCs and PRTs in the provinces, and the JROC and the Interagency Stabilization Task Force. Both meet in Baghdad and bring together Coalition forces, interagency, and Government of Iraq agencies to coordinate and synchronize efforts. Nevertheless, it is uncertain how much these meetings contribute to the readiness of the Government of Iraq to take over completed projects.

Our previous report made five recommendations for improving the CERP program. Our review found that MNC-I has fully addressed three of our recommendations, but still needs to take action to address two recommendations.

Recommendations

We recommend that the Commanding General, Multi-National Corps-Iraq, take these actions:

1. Enforce the CERP requirement that major subordinate commands submit completed CERP project files on a quarterly basis.
2. Require the major subordinate commands and the MNC-I Comptroller to keep on file monthly reports of the status of CERP funds to validate that reviews are being done and that the two management reporting systems are reconcilable.
3. Continue to reinforce coordination effort with major subordinate commands to ensure that CERP projects are successfully integrated with IRMO reconstruction operations.

Management Comments and Audit Response

We received written comments on a draft of this report from MNC-I. The MNC-I Chief of Staff concurred with all recommendations and has identified corrective actions that have been initiated or planned. According to the comments, the CERP standard operating procedure will be updated to add or enforce requirements in response to our recommendations on submitting project files and retaining monthly reports; and coordination efforts will be reinforced with the major subordinate commands and all involved parties regarding CERP project integration. The comments received were fully responsive and are included in the Management Comments section of this report.

Introduction

Background

The Commander's Emergency Response Program (CERP) was established in fiscal year 2003 to give commanders the ability to respond to urgent humanitarian relief and reconstruction needs in their areas of responsibility by executing a variety of nonconstruction and construction activities that will immediately assist the local population. CERP is intended for small-scale, urgent, humanitarian relief and reconstruction projects for the benefit of the Iraqi and Afghan people. In fiscal year 2006, the Congress appropriated \$923 million for the CERP.⁸ The Department of the Army allocated \$724.5 million for use in fiscal year 2006 and carried forward the remaining balance of \$198.5 million to fiscal year 2007. The U.S. Central Command then allocated \$510 million to the Multi-National Corps-Iraq (MNC-I), with the remaining \$214.5 million going to fund CERP projects executed by U.S. forces in Afghanistan. As of September 30, 2006, MNC-I reported it had obligated \$510 million for over 3,800 CERP projects. For a summary of CERP projects organized by project category and obligation, see Appendix D.

Roles and Responsibilities

The Office of the Under Secretary of Defense (Comptroller) is responsible for the establishment and supervision of the execution of principles, policies, and procedures for CERP and to ensure that congressional oversight committees are informed of CERP activities on a quarterly basis.

The U.S. Army is the executive agent for CERP, and the Army Budget Office, under the Office of the Assistant Secretary of the Army for Financial Management and Comptroller, is responsible for producing the quarterly report to the Congress on the source, allocation, and use of CERP funds pursuant to P.L. 109-148.

The U.S. Central Command oversees military operations, programs, and funds in both Iraq and Afghanistan. It is responsible for allocating CERP funds between Iraq and Afghanistan, and through its component command, the Army Central Command, is required to reconcile CERP funds every three months and report these results to the Army Budget Office.

⁸ Congress appropriated funds twice in fiscal year 2006 for the CERP: \$500 million in *Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act, 2006*, Public Law 109-148 (December 30, 2005); \$423 million in *Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006*, Public Law 109-234 (June 15, 2006).

The Multi-National Force-Iraq (MNF-I) provides guidance, establishes priorities, and identifies focus areas for subordinate units to leverage CERP in support of the strategic objectives of its Campaign Plan.⁹ Specifically, in support of the Campaign Plan, CERP is to assist in achieving the following strategic effects:

- Build Iraqi provincial government capacity by partnering with provincial reconstruction and development committees in the identification, development, and execution of local projects.
- Complete “last mile” projects that connect essential services or major infrastructure projects to the local end user, especially in strategic area cities.
- Coordinate with the U.S. Agency for International Development (USAID) and the U.S. Army Corps of Engineers Gulf Region Division (GRD) to ensure unity of effort for maximum efficiency.
- Create the conditions for economic development momentum.

To implement the CERP guidance and priorities, MNF-I issues orders that clarify or change the major subordinate command's (MSC's) responsibilities and procedural requirements. The following subordinate units managed and executed CERP for MNF-I during fiscal year 2006:

- MNC-I, a subordinate MNF-I command headquartered in Baghdad, Iraq, is the primary executing agency for CERP through the day-to-day management of the projects, funds, and records. During fiscal year 2006, MNC-I published an operation order (classified) to further the use of CERP in accordance with MNF-I's Campaign Plan; issued orders to update subordinate units on changes in CERP; and published the revised “Commander's Emergency Response Program (CERP) Family of Funds Standard Operating Procedures. Also during fiscal year 2006, MNC-I was staffed by two different Army Corps Commands—the XVIII Airborne Corps based at Fort Bragg, North Carolina; and the V Corps based at Heidelberg, Germany.

MNC-I has six MSCs that are headquartered throughout Iraq. The MSCs propose, initiate, and execute both nonconstruction and construction projects in their areas of responsibility. In fiscal year 2006, the individual MSC designation/composition was as follows:

- Multi-National Division-Baghdad – U.S. Army forces
- Multi-National Division-Center South – Coalition forces (Poland)
- Multi-National Division-North – U.S. Army forces
- Multi-National Division-Northeast – Coalition forces (Republic of Korea)
- Multi-National Division-Southeast – Coalition forces (United Kingdom)
- Multi-National Force-West – U.S. Marine Corps forces

⁹ The Campaign Plan is a classified Operations Order that is updated periodically and details MNF-I's military, political, and economic objectives for Iraq.

- GRD executes larger construction projects for MNC-I and/or the MSCs. GRD is headquartered in Baghdad, Iraq, and provides planning, engineering, contracting, and project management expertise and services to MNF-I and other U.S. agencies. In fiscal year 2006, GRD managed 290 CERP projects for MNC-I and the MSCs, totaling \$105 million in obligations.
- The Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) supports a small number of CERP projects for MNC-I and/or the MSCs in Iraq. JCC-I/A is headquartered in Baghdad, Iraq, and provides operational contracting support to MNF-I to efficiently acquire vital supplies, services, and construction. During fiscal year 2006, JCC-I/A contracting offices executed contracts for nine CERP projects totaling approximately \$12 million in obligations.
- The Multi-National Security Transition Command-Iraq (MNSTC-I), a subordinate MNF-I command headquartered in Baghdad, Iraq; organizes, equips, and mentors the Iraqi Security Forces. MNSTC-I adheres to MNC-I's standard operating procedures and guidance regarding CERP funds and projects. MNSTC-I obligated approximately \$5 million for 21 CERP projects in fiscal year 2006.

Objectives

The objectives of this audit were to determine:

- What controls are in place to ensure the accountability of CERP funds and project records?
- Were CERP funds used for intended and authorized purposes?
- What is the status of coordination of the CERP with other reconstruction funds and programs, particularly for larger CERP reconstruction projects with strategic value?
- What performance measures are in place to evaluate the effectiveness of the individual CERP projects in relationship to the overall goals of the CERP program?
- How are commanders ensuring sustainment of completed CERP projects by the Government of Iraq?
- How are CERP projects transferred to the Government of Iraq?

For a discussion of the audit scope and methodology, see Appendix A. For our review of completed CERP project files, see Appendix B. For a summary on the availability of CERP project folders, see Appendix C. For a listing of CERP fund uses and restrictions, see Appendix D. For definitions of acronyms used, see Appendix E. For a list of the report distribution, see Appendix F. For a list of the audit team members, see Appendix G.

Management Controls for Accountability

The Special Inspector General for Iraq Reconstruction (SIGIR) has issued three reports¹⁰ over the last two years on the CERP family of funds.¹¹ All three reports identified problems with CERP records documentation, and two reports made recommendations for improvements. Since then, MNC-I has improved controls over fund accountability, but weaknesses remain in project documentation. To strengthen fund accountability, MNC-I now uses two management information systems to track and reconcile CERP financial and project data. However, not all CERP project documentation was complete or on file with MNC-I in accordance with applicable guidance. CERP documentation is required to be submitted quarterly by major subordinate commands (MSC). Furthermore, MNC-I does not maintain monthly status of funds reports from MSCs to the MNC-I Comptroller's Office, which would support the reconciliation of financial and project data. These reports, which are not required in current guidance, document whether commanders are monitoring CERP fiscal controls and program procedures.

Management Information Systems and Status of Funds

MNC-I uses two management information systems to track CERP funds and projects: the Iraq Reconstruction Management System (IRMS) and the Army accounting system. IRMS is the central database for reporting all projects initiated under the CERP family of funds, while the Army accounting system tracks and reports on all commitments, obligations and disbursements against CERP projects. MNC-I began using IRMS as its central data base and tracking tool in fiscal year 2006, which significantly improved its ability to reconcile financial data with project data and its coordination procedures and management of CERP projects.

According to the CERP standard operating procedures, each MSC must submit a monthly status of funds report to the MNC-I Comptroller's Office showing CERP obligations and disbursements along with a statement from the MSC commander certifying that all fiscal controls and program procedures are being followed. The report, which provides MNC-I with an audit trail of data in both IRMS and the Army accounting system, is essential for management control. Data is entered and maintained in the two systems through a coordinated effort of the commanders at all levels, the MSCs' CERP program managers, the civil affairs personnel, the engineers, and the organization comptrollers. MNC-I uses data from these two systems to prepare its monthly reports to higher commands. These

¹⁰ *Management of the Commander's Emergency Response Program for Fiscal Year 2004* (SIGIR-05-014, October 13, 2005); *Management of the Commander's Emergency Response Program for Fiscal Year 2005* (SIGIR-05-025, January 23, 2006); *Management of the Iraqi Interim Government Fund* (SIGIR-06-031, October 27, 2006).

¹¹ The CERP Family of Funds consists of the Commander's Emergency Response Program, the Commander's Humanitarian Relief and Reconstruction Program, and the Interim Iraqi Government Fund. Management guidance is set forth in MNC-I's "Commander's Emergency Response Program (CERP) Family of Funds Standard Operating Procedures, rev. April 24, 2006.

reports are ultimately reviewed by the Office of the Under Secretary of Defense (Comptroller) and are the basis for reports to the Congress on the status of CERP funds.

We performed a reconciliation of the two reporting systems, as of September 30, 2006, of the \$510 million obligated in fiscal year 2006 for CERP in Iraq. Except for minor discrepancies, we were able to reconcile the financial data in these two systems.¹² Additionally, we compared the Secretary of Defense's quarterly report to the Congress on the source, allocation, and use of the CERP for the period ending September 30, 2006, to data in IRMS to determine the accuracy of this reporting. Our analysis found that the data in the congressional report was supported by the data in IRMS.

One area needing improvement that we identified is that copies of the MSCs' monthly status of funds reports are not being maintained by MNC-I. There was no requirement for MNC-I to keep copies of the reports on file for any specific period of time. However, we believe that maintaining copies of the reports is a necessary management control to ensure that the monthly status of funds reports are being submitted to MNC-I and the two management information systems are being reconciled. The monthly report must also contain a statement of assurance by the MSC commander that all fiscal controls and program procedures were followed. These reports were not being kept on file by MNC-I to show commanders were monitoring CERP activities.

Project Documentation

During fiscal year 2006, MNC-I issued a variety of official policies and procedures to guide units in using the CERP. However, completed project folders are not being submitted by the MSCs to MNC-I on a quarterly basis, and many of the folders we reviewed did not contain the required documentation.

Management and maintenance of CERP records are centralized at MNC-I, which has published a standard operating procedures document that discusses the requirements for the management of CERP records.¹³ The procedures require that the MSCs submit supporting project file documentation for each completed project to the MNC-I Comptroller's Office for review and storage on a quarterly basis. The procedures also require that MNC-I, depending on the scope and/or dollar value of the project, maintain 16 different documents (*see Appendix B*) in support of the completed project. Finally, MNC-I issued fragmentary orders to the major subordinate commands that support its management of CERP projects.

¹² The minor discrepancies accounted for less than 1% of the total obligation and consisted of timing differences (lag times) between IRMS and the Army accounting system.

¹³ See "Commander's Emergency Response Program (CERP) Family of Funds Standard Operating Procedures," rev. April 24, 2006.

MNC-I guidance requires that these steps be taken once a project is completed:

- Project is annotated as complete (cleared) in the Iraq Reconstruction Management System (IRMS).
- Project Purchasing Officer reconciles the project folder documentation.
- MSC Commander reviews the project folder and signs a clearance memorandum concurring that the project folder is complete.
- MSC Comptroller reviews the project file and, if applicable; documents in the project folder that it is cleared, contractually sufficient, and within the scope of the appointed authority.

To assess whether the MSCs and MNSTC-I have complied with MNF-I's guidance for project records, we conducted a review of a selection of project folders. We obtained a copy of fiscal year 2006 IRMS data from MNC-I on February 9, 2007. Of 3,854 projects, 3,051 were indicated as either physically complete or terminated. We requested 173 of the 3,051 project folders for review. This included a random sample of 153 projects—stratified proportionally by each MSC—and a judgmental sample of the top 20 most expensive (by obligation) completed projects at that time. MNC-I could only provide 122 of the 173 project folders—105 of the requested random sample and 17 of the judgmental sample—or 71%. Therefore, our review was limited to these 122 project folders. As a result of the 48 missing random sample project folders, we did not project any statistical results into the entire population of 3,051 project folders.

We compiled the supporting documentation for the 122 project folders and grouped 10 of the required documents into five primary categories to better assess specific process areas (*see Table*). Specifically:

1. documents certifying the commitment of funds
2. documents certifying the obligation of funds
3. documents certifying the disbursement of funds
4. documents that certified the officials that were responsible for handling project funds
5. documents that certified the completion of a project

Since about 30% of the records we requested were not provided, we are only reporting on the results of the 122 of 173 project folders we received, as reflected in the table below. For a summary of our results for the records for all 122 projects, see Appendix B.

Table—Analysis of CERP Project Documentation that Is Required, but Missing

Documentation Category	Number Required ^a	Measure	Missing ^b
1. Certification of the Commitment of Funds			
• Department of the Army (DA) Form 3953, or	115	Number	12
• Department of Defense (DD) Form 1149		Rate	10.4%
2. Certification of Obligation of Funds			
• Standard Form (SF) 44, or	101	Number	19
• SF 1449		Rate	18.8%
3. Certification of Disbursement of Funds			
• DD Form 1081 marked on advance	87	Number	43
• DD Form 1081 marked on return		Rate	49.4%
4. Certification of Officials Responsible for Project Funds			
• Purchasing Officer (PO) Appointment Letter	113	Number	33
• Pay Agent (PA) Appointment Letter		Rate	27.0%
• PO DD Form 577 purchasing card			
• PA DD Form 577 purchasing card			
5. Certification of Completion of Project			
• Commander's Clearance Letter	118	Number	26
• DD Form 250		Rate	22.0%

Source: SIGIR

^a Requirements for documentation varied per project based on MNC-I guidance.

^b A missing document was recorded when it was determined a document was required but was not observed in the project folder.

The rate of missing documents within each category varied. For example, in reviewing documents for the Certification of Officials Responsible for Project Funds (category 4), we found that approximately 73% of both the required DD Form 577s and Appointment Letters for Purchasing Officers were included in the project files. These records identify and certify the MNF-I officials authorized to spend appropriated funds on CERP projects, and provide a reasonable assurance to Department of Defense (DoD) officials that procedures to disburse funds are followed. Of the projects reviewed, we found that the Multi-National Division-Baghdad submitted 96% of their required DD Form 1081s “marked on return,” while neither the Multi-National Division-Center South or the Multi-National Force-West submitted any of these records. In addition, our judgmental sample of the top 20 most expensive completed projects showed the MSC project folders contained a higher percentage of the required documentation than was in the project folders we identified for our random sample selection.

Use of CERP Funds

Using applicable guidance and our sample review of available documentation for 122 projects, we determined that fiscal year 2006 CERP funds were used for intended and authorized purposes. The MSC commanders have the authority to approve projects less than \$500,000 without MNC-I approval, as long as the projects meet the standards outlined in CERP directives and guidance. Projects over \$500,000 must be approved by the MNC-I Commanding General.

There are several documents that provide guidance on approved uses for CERP funds, including an Office of the Under Secretary of Defense (Comptroller) memorandum,¹⁴ MNC-I's "Commander's Emergency Response Program (CERP) Family of Funds Standard Operating Procedures," MNC-I Operations Order, and MNC-I fragmentary orders. The memorandum states that the purpose of CERP is to enable commanders "to respond to urgent humanitarian relief and reconstruction requirements within their area of responsibility by carrying out programs that will immediately assist the indigenous population." The MNC-I standard operating procedures expands on the memorandum, stating that the MNC-I commander's intent is to achieve focused effects. Commands are to prioritize those CERP projects that focus on providing urgent humanitarian relief while providing significant employment opportunities for the Iraqi people. The guidance also reemphasizes the projects that CERP may support, such as water and sanitation, electricity, education, rule of law and governance, and condolence payments; and identifies restrictions on the use of CERP funds (*see Appendix D*). The MNC-I Operations Order provides overall guidance in selecting CERP projects while taking into account the strategic objectives identified in the MNF-I Campaign Plan.¹⁵ MNC-I fragmentary orders directs major subordinate commanders to focus their CERP projects on essential services—sewer, water, electricity, trash, and fuel.¹⁶

Our review of 122 project folders found that the selected projects fully complied with DoD guidance and MNC-I procedures and orders for intended use and authorized purposes of CERP funds. For example, the MNC-I Operations Order directed the MSCs to focus reconstruction efforts on rebuilding and improving the water and electricity infrastructure in Iraq. Fragmentary Order 559 further directed the MSCs to focus their CERP efforts on sewer, water, electricity, trash, and fuel type projects. In fiscal year 2006, almost one-half of the CERP obligations were for these types of projects.

¹⁴ Under Secretary of Defense (Comptroller) Memorandum, July 27, 2005; Subject: Commander's Emergency Response Program Guidance.

¹⁵ MNC-I Operations Order 06-01, April 21, 2006.

¹⁶ MNC-I Fragmentary Order 009, April 24, 2006, and Fragmentary Order 559, October 25, 2006.

Coordination of CERP Projects

MNC-I has made improvements in coordinating its CERP projects, but IRMO officials report weaknesses in coordinating projects in some provinces. In our fiscal year 2005 report on CERP management,¹⁷ we identified a lack of formal coordination of CERP projects with IRMO reconstruction programs that limited the effectiveness of the CERP projects. The lack of coordination was again reiterated by provincial reconstruction team officials during our review on the status of the Provincial Reconstruction Team program¹⁸ in October 2006.

We reviewed MNC-I's process for coordinating CERP projects with IRMO and USAID, as well as with Iraqi provincial and national government entities, and found that MNC-I has strengthened its coordination requirements at most levels. For example:

- MNC-I guidance, revised in April 2006, now requires commanders to coordinate and determine CERP project needs with local Government of Iraq agencies, civil affairs elements, engineers, and the provincial reconstruction and development committees (PRDC) and/or provincial reconstruction teams (PRT) to gain the greatest effect and ensure synchronization. The guidance also directs commanders to coordinate CERP projects with complementary programs provided by USAID or non-governmental agencies operating in their areas of responsibility.¹⁹
- In November 2005, MNF-I issued a fragmentary order designating at least \$5 million in CERP funding to each province. The PRDC in each province was requested to prepare and approve a prioritized project list for the MSC controlling that applicable battlespace. The MSCs would then use the lists to identify and prioritize CERP projects in their battlespace.²⁰
- In May 2006, MNC-I initiated the Interagency Stabilization Task Force, which coordinates program reconstruction efforts with Coalition Forces and the Government of Iraq. The task force is comprised of MNF-I, MNC-I, IRMO, and USAID representatives.
- In fiscal year 2006, MNF-I established the Joint Reconstruction Operations Center (JROC) under GRD. Through the weekly meeting of the Joint Planning Commission, consisting of MNF-I, MNC-I, IRMO, USAID, Iraqi representatives and Baghdad Amanat engineers,²¹ the JROC coordinates and synchronizes reconstruction projects from all the reconstruction players with the Government of Iraq in support of the Baghdad Security Plan. In addition, it maintains a list of prioritized projects for the Baghdad Amanat along with its priorities.

¹⁷ *Management of the Commander's Emergency Response Program for Fiscal Year 2005*, SIGIR-05-025, January 23, 2006.

¹⁸ *Status of the Provincial Reconstruction Team Program in Iraq*, SIGIR 06-034, October 29, 2006.

¹⁹ MNC-I Smart Book "Money as a Weapon System" and MNC-I's "Commander's Emergency Response Program (CERP) Family of Funds Standard Operating Procedures," revised April 24, 2006.

²⁰ MNF-I Fragmentary Order 05-374, dated November 2005.

²¹ Baghdad Amanat (City Hall) is responsible for municipal services (water, sewerage, solid waste disposal, urban planning, roads, municipal buildings, and parks) to the metropolitan region of Baghdad.

We discussed CERP project coordination with USAID officials, and they stated that MNC-I is working closely with them to ensure that projects are coordinated and meet the real needs of Iraqi communities. USAID officials said that they have regular face-to-face meetings with the MSC CERP program managers to share information on projects and community needs at the working level. Examples of cooperation on projects between MNC-I and USAID during FY 2006 are:

- The Izdihar Private Sector Development Project. MNC-I and USAID collaborated on the expansion of microfinance institutions in Iraq through the strategic use of CERP funds over the past two years. USAID has provided significant guidance in terms of the structure and targeting of CERP small business grants. CERP funding was used to pay for operational expenses for several microfinance offices in cities across Iraq including Baghdad, Fallujah, and Kirkuk. USAID also contributed loan capital to these microfinance institutions, and has supported these organizations with essential technical assistance and staff training. The partnership between USAID and MNC-I is likely to continue since the expansion of microfinance services in Iraq has been identified as a strategic priority of the U.S. government to promote economic development in Iraq.
- USAID's Agricultural Reconstruction and Development Program for Iraq (ARDI). ARDI's biweekly Joint Agricultural Task Force meetings provide a forum for disseminating best practices and lessons learned to MNC-I's civil affairs officers in the area of agriculture. ARDI hosted numerous site visits, the objective being to identify potential projects and initiatives that could easily be replicated by using CERP funds. These visits enhanced the civil affairs officers understanding of best practices in agriculture and enabled MNC-I to form partnerships with several newly formed indigenous non-governmental organizations working with the ARDI project. CERP funding to these organizations strengthened their operational capacity, thus contributing to their financial sustainability and assisting the military to achieve significant results in agriculture countrywide.

Discussions with IRMO officials supported the premise that coordination related to CERP projects improved in fiscal year 2006. IRMO staff added that the level of coordination was dependent on the province where the project was occurring and varies on the strength of the PRDC and the operational abilities of the PRT. For example, IRMO officials stated they are not always fully aware of ongoing CERP projects in some western provinces due to issues such as security concerns which precluded having consistent ongoing meetings on CERP projects. On the other hand, an example of successful coordination cited by IRMO was in the city of Kirkuk, located in the Al Tameen province, where PRT, PRDC, and MNC-I coordination is working successfully to develop and implement CERP projects.

Program Effectiveness

Measuring the effect of a CERP project is often complex and difficult. MNC-I coordinates the efforts of several staff offices (project management, financial management, etc.) to determine the intended effects of CERP projects in a city or region. An Effects Assessment Working Group meets every week, and reviews the impacts of CERP projects across the lines of operations. The Effects Assessment Working Group culminates in a classified effects assessment briefing to the MNC-I Commanding General once a month. The effects of completed CERP projects are combined with other ongoing MNC-I efforts to gauge their impact on the MNC-I Operations Order. The majority of the effects a CERP project has on an area are second- and third-order impacts that go beyond the simple completion of the project.

The assessment process considers polling results,²² operational reports, and subject matter expert reports in a holistic methodology so that effects and impacts of a project are captured and measured. Indirect impacts include economic, essential service, and security activities in an area where the CERP project is completed. For example, the purpose of a CERP-funded security project was not to directly cause economic growth in an area. However, because the project provided increased security, the second-order impact of free trade was enabled; which increased the third-order impact of economic activity in the area, such as adding to job growth, wage increases, etc. In another example, polling of Iraqis would show that CERP projects provided jobs to Iraqis, and/or Iraqis indicated that they noticed the Coalition's reconstruction efforts (i.e. the reconstruction was visible to them).

²² Multiple monthly polls are conducted by contractors for MNF-I and MNC-I to gauge the impact of the Coalition efforts in Iraq. The results of these polls are classified.

Transfer and Sustainment of CERP Projects

There is no specific MNC-I guidance for the transfer or sustainment of CERP projects to the Government of Iraq. Approximately 97% (3,716) of the CERP projects in fiscal year 2006 cost under \$500,000 and probably required little transfer or sustainment planning. We believe that the larger projects—those over \$500,000 in the essential services sectors (water and electricity)—will likely require some level of transfer and sustainment planning. Only 3% (138) of the CERP projects are valued over \$500,000, and encompass 47% (\$235 million) of the \$510 million obligated for fiscal year 2006.

There has been a growing recognition that the Government of Iraq is not yet prepared to take over the near- and long-term management and funding of infrastructure projects. Consequently, an integral part of all reconstruction planning is working with the Iraqis to ensure not only that they can support completed projects, but also that the Government of Iraq is prepared to sustain them with the requisite financing.

In our fiscal year 2005 CERP report, we recommended that MNC-I coordinate plans and funding for the sustainment of large CERP construction projects, and projects that have strategic value, with the Department of State (DoS). MNC-I broadly non-concurred that it should coordinate sustainment plans and funding of large CERP projects with DoS. Rather, MNC-I states that the appropriate coordination takes place only between the commander executing the project and representatives of the Government of Iraq. MNC-I also responded that this type of coordination takes place regularly through the PRDCs, Provincial Support Teams, and PRTs. We agree some transfer and sustainment coordination occurs through such venues as the MSC commanders meetings with the PRDCs and PRTs in the provinces and the JROC and the Interagency Stabilization Task Force. Both meet in Baghdad and bring together Coalition forces, interagency, and Government of Iraq agencies to coordinate and synchronize efforts. Nevertheless, it is uncertain how much these meetings contribute to the readiness of the Government of Iraq to take over and sustain completed projects.

Therefore, while we commend the efforts of MNC-I and DoS to coordinate with the Government of Iraq on the provincial level, it is the position of SIGIR that the DoS is the U.S. government organization responsible for coordinating the overall asset recognition, transfer and sustainment of major reconstruction projects with the Government of Iraq. Some CERP projects, particularly capital construction projects, and those of strategic value, rise to that threshold, thus requiring more concerted efforts between all government entities charged with responsibilities for reconstruction activities in Iraq.

Prior SIGIR Recommendations

During the course of our audit we reviewed actions taken by MNC-I to implement five recommendations from our fiscal year 2005 report on CERP management. Our review found that MNC-I has fully addressed three of our recommendations but still needs to take action to address two recommendations.

In fiscal year 2005, we recommended that MNF-I should conduct a thorough examination of all fiscal year 2005 CERP funds and projects to account for project status reporting errors and to assure that fiscal year 2005 CERP funds were properly obligated. In addition, we recommended that MNF-I conduct a quarterly review of the CERP to ensure the data contained within its project tracking tool is valid and is as consistent as possible with the data for project obligations in the Army accounting system. MNC-I made an effort to reconcile fiscal year 2005 CERP project funds, indicated as open in IRMS, with information that was available in the Iraq theater. For fiscal year 2006, our analysis showed that MNC-I improved data coordination with commanders at all levels, the MSCs' CERP program managers, the civil affairs personnel, the engineers, and the organization comptrollers to resolve this problem. As a result of MNC-I's actions taken and the reconciliation we performed regarding the fiscal year 2006 financial data in the two reporting systems, we consider these two recommendations to be closed.

Our fiscal year 2005 report also recommended that MNC-I clarify and enforce existing guidance on the collection of required project records, conduct quarterly reviews of project records to improve the management of project files, and provide training for all current and future MNF-I units on project documentation requirements and how to maintain and store these records. MNC-I did conduct training at several venues regarding CERP procedures; however, the continuing problems we identified again in fiscal year 2006 suggest that additional attention is still needed. Consequently, we consider this recommendation to be still open.

We recommended MNF-I formalize the process for coordinating CERP projects with IRMO and USAID, especially those used in conjunction with other reconstruction programs that are of strategic importance. In fiscal year 2006, MNC-I made improvements in coordinating its CERP projects IRMO and USAID, as well as with Iraqi provincial and national government entities. For example, MNF-I established the JROC under GRD. Through the weekly meeting of the Joint Planning Commission—comprising MNF-I, MNC-I, IRMO, USAID, Iraqi representatives and Baghdad Amanat engineers—the JROC coordinates and synchronizes reconstruction projects from all the reconstruction players with the Government of Iraq in support of the Baghdad Security Plan. In addition, it maintains a list of prioritized projects for the Baghdad Amanat along with its priorities.

Discussions with IRMO supported CERP project coordination had improved but added that the level of coordination was dependent on the province where the project was occurring, and varied as to the strength of the PRDC and the operational abilities of the

PRT. Based on our review, we feel MNC-I met the intent of this recommendation regarding CERP project coordination with IRMO and USAID, and as such consider it closed. However, MNC-I needs to continue to reinforce its coordination effort to ensure that CERP projects are successfully integrated with USAID and IRMO reconstruction operations.

Finally, we recommended MNF-I coordinate plans and funding for the sustainment of large CERP construction projects; and projects that have strategic value with the DoS. MNC-I non-concurred and stated that appropriate coordination takes place only between the commander executing the project and representatives of the Government of Iraq. In addition, MNC-I responded that coordination takes place regularly through the PRDCs, Provincial Support Teams, and PRTs. MNC-I asserts that sustainment of CERP projects is solely the responsibility of the Government of Iraq. While we commend the efforts of MNC-I to coordinate with the Government of Iraq on the provincial level, we still maintain that the DoS is the U.S. government organization responsible for coordinating the overall sustainment of reconstruction projects in Iraq, particularly capital construction projects costing more than \$500,000, and those of strategic value. Consequently, we consider this recommendation to remain open.

Conclusion and Recommendations

Conclusion

MNC-I took significant steps in fiscal year 2006 to improve and strengthen management of the CERP. The introduction of IRMS as the project tracking tool significantly improved MNC-I's ability to reconcile financial data with project data. In addition, MNF-I and MNC-I have improved the coordination efforts in both procedural requirements and ongoing coordination meetings regarding CERP projects. However, as reported in SIGIR's audit report on CERP management for fiscal year 2005, MNC-I was not enforcing its own management controls over the CERP projects. Further, the MSCs' monthly CERP status of funds reports that reconcile the two CERP management reporting systems were, for the most part, not kept on file by MNC-I as an audit trail validating data in the systems. These deficiencies could result in the lack of a historical accounting and transparency of the U.S. relief and reconstruction efforts in Iraq.

Our review of 122 projects found, in all cases, that the CERP funds were used for intended and authorized purposes. The MSC commanders have the authority to approve projects less than \$500,000 without MNC-I approval, as long as the projects meet the standards outlined in CERP directives and guidance. Projects over \$500,000 must be approved by the MNC-I Commanding General.

Largely because the MSCs generally are not following the MNC-I guidance on the disposition of the folders for completed projects, MNC-I could only provide SIGIR with 122 of the 173 folders requested as our sample.²³ The 51 missing project folders included 48 of the requested 153 proportionally stratified (across the MSCs) random sample and 3 of the "top 20" projects sample. We are concerned that MNC-I could not provide about 30% of the requested completed project folders.

Potentially of much more significance, in our review and analysis of the contents of the 122 available project folders, we found numerous cases in which key required documents were missing. For example, 49.4% of the DD Form 1081, Statement of Agent Officer's Account, were missing. This document represents the transfer of cash to Coalition force personnel for payments and disbursements of funds to contractors or to other entities. The absence of any of the required documents, which are essential in certifying proper accountability for cash disbursements, could indicate an internal control vulnerability. We are again concerned that critical control documents are missing from the project folders.

Improvements have been made by MNC-I in coordinating its CERP projects with IRMO and USAID, as well as with Iraqi provincial and national government entities. For example, in fiscal year 2006, MNF-I established the JROC under GRD. Through the weekly meeting of the Joint Planning Commission—consisting of MNF-I, MNC-I,

²³ Appendix C identifies the number project folders were requested and provided by MNC and MNSTC-I.

IRMO, USAID, Iraqi representatives and Baghdad Amanat engineers—the JROC coordinates and synchronizes reconstruction projects from all the reconstruction players with the Government of Iraq in support of the Baghdad Security Plan. In addition, it maintains a list of prioritized projects for the Baghdad Amanat along with its priorities. MNC-I needs to continue to reinforce this coordination effort with its MSC commanders to ensure CERP projects are successfully integrated with USAID and IRMO reconstruction operations.

Measuring the effect of a CERP project is often complex and difficult. MNC-I coordinates the efforts of several staff offices (project management, financial management, etc.) to determine the intended effects of CERP projects in a city or region. An Effects Assessment Working Group meets every week, and reviews the impacts of CERP projects across the lines of operations. The Effects Assessment Working Group culminates in a classified effects assessment briefing to the MNC-I Commanding General once a month.²⁴ It is important to note, however, that the CERP projects are often second- and third-order impacts, such as security improvements that lead to economic stability, and thus are difficult to measure.

While most CERP projects are small and probably require little transfer or sustainment planning, we believe that the larger projects—those over \$500,000 in the essential services sectors (i.e., water and electricity)—will likely require some level of planning. Although we made a recommendation to address transfer and sustainment in our previous report,²⁵ this condition remains since we determined that there is no specific MNC-I guidance for the transfer or sustainment of CERP projects to the Government of Iraq. However, some transfer and sustainment coordination occurs through such venues as the JROC’s weekly meeting of the Joint Planning Commission consisting of MNF-I, MNC-I, IRMO, USAID, Iraqi representatives and Baghdad Amanat engineers.²⁶ However, it is uncertain how much these meetings contribute to the readiness of the Government of Iraq to take over and sustain completed projects.

Our fiscal year 2005 report made five recommendations for improving the CERP program. Our review found that MNC-I has fully addressed three of our recommendations but still needs to take action to address two recommendations.

²⁴ As stated, this report is classified and SIGIR did not have access to it.

²⁵ SIGIR-05-025, January 23, 2006.

²⁶ Baghdad Amanat (City Hall) is responsible for municipal services (water, sewerage, solid waste disposal, urban planning, roads, municipal buildings, and parks) to the metropolitan region of Baghdad.

Recommendations

We recommend that the Commanding General, Multi-National Corps-Iraq, take these actions:

1. Enforce the CERP requirement that major subordinate commands submit completed CERP project files on a quarterly basis.
2. Require the major subordinate commands and the MNC-I Comptroller to keep on file monthly reports of the status of CERP funds to validate that reviews are being done and that the two management reporting systems are reconcilable.
3. Continue to reinforce coordination effort with major subordinate commands to ensure that CERP projects are successfully integrated with IRMO reconstruction operations.

Management Comments and Audit Response

We received written comments on a draft of this report from MNC-I. The MNC-I Chief of Staff concurred with all recommendations and has identified corrective actions that have been initiated or planned. According to the comments, the CERP standard operating procedure will be updated to add or enforce requirements in response to our recommendations on submitting project files and retaining monthly reports; and coordination efforts will be reinforced with the major subordinate commands and all involved parties regarding CERP project integration. The comments received were fully responsive and are included in the Management Comments section of this report.

Appendix A—Scope and Methodology

In January 2007, we initiated this audit (Project No. 7007) to determine whether CERP projects and funds were effectively managed by MNC-I in fiscal year 2006. This report discusses management controls over CERP projects, funds, and records; performance measures for CERP projects vis-à-vis the goals of the program; transfer and sustainment of CERP projects to the Government of Iraq; and coordination of CERP projects with IRMO and USAID reconstruction programs.

To determine if MNC-I implemented controls to effectively manage fiscal year 2006 CERP projects, funds, and records, we interviewed officials from MNF-I and MNC-I to understand how the program was managed over the course of the year. This included collecting and analyzing guidance and fragmentary orders governing the program from the Office of the Under Secretary of Defense (Comptroller), MNF-I, and MNC-I. In addition, we tested the controls MNF-I had in place to manage the CERP.

First, to determine whether MNF-I used CERP funds for the purposes intended and authorized in DoD guidance, and adequately controlled the records for CERP projects at the control point (i.e., MNC-I), we obtained a copy of the IRMS data from MNC-I. This data was provided on February 9, 2007, and was for fiscal year 2006. Of 3,854 projects, 3,051 were indicated as either physically complete or terminated. We requested 173 of the 3,051 project folders for review. This included a random sample of 153 projects—stratified proportionally by the major subordinate command, and a judgmental sample of the top 20 most expensive (by obligation) completed projects at that time. MNC-I could only provide 105 of the requested random sample and 17 of the judgmental sample project folders. Therefore, our review was limited to these 122 project folders. As a result of the 48 missing stratified random sample project folders, we did not project our results to the entire population of 3,051 project folders.

We selected 16 required documents to review based on MNF-I and MNC-I guidance on CERP procedures and administrative requirements included in Fragmentary Orders and MNC-I's "Commander's Emergency Response Program (CERP) Family of Funds Standard Operating Procedures issued over the course of fiscal year 2006. We then grouped ten of these documents into five primary categories to better assess specific process areas. These primary categories are: (a) documents certifying the commitment of funds, (b) documents certifying the obligation of funds, (c) documents certifying the disbursement of funds, (d) documents that certified the officials that were responsible for handling project funds, and (e) documents that certified the completion of a project.

To determine the errors for these primary categories, we recorded an occurrence of an error only when the document was not present in the project file at MNC-I. All other occurrences resulted in an "Accepted" mark; including project folders with missing signatures on documents and substituted documents as authorized by MNC-I. The results for all 122 project folders reviewed are tabulated in Appendix B.

To determine if MNF-I effectively coordinated CERP projects, where appropriate; we interviewed officials and obtained relevant documentation from MNF-I and its subordinate units, from IRMO, and from USAID to understand how reconstruction programs, including the CERP, were coordinated across U.S. government agencies in Iraq. We also attended several strategic interagency coordination meetings, held in the U.S. Embassy-Iraq, to further observe how reconstruction activities are coordinated. Furthermore, we reviewed MNF-I, IRMO, and USAID plans to coordinate reconstruction programs in FY 2006 and queried officials on how the CERP will be integrated into these plans.

To determine MNC-I guidance on transfer and sustainment of projects to the Government of Iraq, we interviewed MNC-I staff and reviewed existing MNC-I documented procedures and guidance.

We conducted this audit from January 2007 through April 2007, in accordance with generally accepted government auditing standards.

Use of Computer-Processed Data

We utilized data from the Army accounting system, the Standard Financial System (STANFINS); and IRMS to reconcile project data with financial data for all the funds provided by CERP. However, we did not perform a review of the controls of STANFINS or IRMS, but did compare the data to the original records provided to us by MNC-I.

Prior Coverage

Office of the Special Inspector General for Iraq Reconstruction

- *Management of the Commander's Emergency Response Program for Fiscal Year 2004* (SIGIR-05-014, October 13, 2005)
- *Management of the Commander's Emergency Response Program for Fiscal Year 2005* (SIGIR-05-025, January 23, 2006)
- *Management of the Iraqi Interim Government Fund* (SIGIR-06-31, October 27, 2006)

U.S. Army Audit Agency

The U.S. Army Audit Agency conducted a series of audits on the funds allocated to MNSTC-I for CERP projects in fiscal year 2005, which include:

- *Commander's Emergency Response Program and Quick Response Fund* (Report A-2005-0173-ALE, May 2, 2005)
- *Follow-Up of Commander's Emergency Response Fund and Quick Response Fund* (Report A-2005-0332-ALE, September 30, 2005)
- *Follow-Up II of Commander's Emergency Response Program and Quick Response Fund* (Report A-2006-0090 ALE, March 31, 2006)

Appendix B—Review of Completed CERP Project Files

This table summarizes the results of our review of the 122 completed CERP project folders available, from the 173 requested for review, to assess whether the executing commands complied with guidance for submitting the 16 required project documents and other files to MNC-I, as required by MNC-I guidance. For our analysis, the first 10 types of records were grouped into five categories. We chose a random sample of 153 projects—stratified proportionally by the major subordinate command—and a judgmental sample of the top 20 most expensive (by obligation) completed projects as of February 9, 2007. MNC-I could only provide 105 of the requested random sample and 17 of the judgmental sample project folders. We were unable to project the errors for the population due to the number of missing project folders.

Executing Command	Occurrence	1. DA3953 or DD1149	2. SF44(s) and/or SF1449(s)	3. DD Form 1081 [On Advance]	4. DD Form 1081 [On Return]	5. Appointment Letter for Purchasing Officer	6. Appointment Letter for Paying Agent	7. DD Form 577 Purchasing Officer	8. DD Form 577 Paying Agent	9. MSC Commander's Clearance Memo	10. DD Form 250	11. Project Proposal or SOW	12. Copy of Contract	13. 3+ Vendors or Sole Source Justification Documented	14. Invoice from Vendor(s)	15. MSC Comptroller Clearance Memo	16. MNC-I Approval for Projects with an Estimated cost of \$500,000 or more
Multi-National Corps-Iraq	On-file	4	4	2	2	2	2	2	2	4	1	3	0	1	3	3	0
	Not On-file	0	0	2	2	1	1	1	1	0	0	1	0	0	1	1	0
	Total Required	4	4	4	4	3	3	3	3	4	1	4	0	1	4	4	0
	% Missing	0%	0%	50%	50%	33%	33%	33%	33%	0%	0%	25%	N/A	0%	25%	25%	N/A
Multi-National Division-Baghdad	On-file	35	22	24	24	38	36	38	36	36	23	36	2	13	32	35	3
	Not On-file	1	1	1	1	0	1	0	1	2	2	0	0	0	6	3	0
	Total Required	36	23	25	25	38	37	38	37	38	25	36	2	13	38	38	3
	% Missing	3%	4%	4%	4%	0%	3%	0%	3%	5%	8%	0%	0%	0%	16%	8%	0%
Multi-National Division-Center South	On-file	4	5	1	0	0	0	0	0	5	3	5	2	1	5	0	0
	Not On-file	1	0	4	5	5	5	5	5	0	1	0	0	0	0	5	0
	Total Required	5	5	5	5	5	5	5	5	5	4	5	2	1	5	5	0
	% Missing	20%	0%	80%	100%	100%	100%	100%	100%	0%	25%	0%	0%	0%	100%	N/A	
Multi-National Division-North	On-file	33	25	9	11	23	24	21	23	25	6	23	9	7	24	23	0
	Not On-file	1	7	15	12	6	4	6	4	7	5	5	2	0	6	9	0
	Total Required	34	32	24	23	29	28	27	27	32	11	28	11	7	30	32	0
	% Missing	3%	22%	63%	52%	21%	14%	22%	15%	22%	45%	18%	18%	0%	20%	28%	N/A
Multi-National Division-Northeast	On-file	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Not On-file	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total Required	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	% Missing	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

Executing Command	Occurrence	1. DA3953 or DD1149	2. SF44(s) and/or SF1449(s)	3. DD Form 1081 [On Advance]	4. DD Form 1081 [On Return]	5. Appointment Letter for Purchasing Officer	6. Appointment Letter for Paying Agent	7. DD Form 577 Purchasing Officer	8. DD Form 577 Paying Agent	9. MSC Commander's Clearance Memo	10. DD Form 250	11. Project Proposal or SOW	12. Copy of Contract	13. 3+ Vendors or Sole Source Justification Documented	14. Invoice from Vendor(s)	15. MSC Comptroller Clearance Memo	16. MNC-I Approval for Projects with an Estimated cost of \$500,000 or more
		On-file	Not On-file	Total Required	% Missing	On-file	Not On-file	Total Required	% Missing	On-file	Not On-file	Total Required	% Missing	On-file	Not On-file	Total Required	% Missing
Multi-National Division-Southeast	On-file	7	10	6	6	10	9	10	10	9	7	11	4	2	10	7	1
	Not On-file	1	0	0	0%	0	1	0	0	1	1	0	0	0	0	3	0
	Total Required	8	10	6	6	10	10	10	10	10	8	11	4	2	10	10	1
	% Missing	13%	0%	0%	0%	0%	10%	0%	0%	10%	13%	0%	0%	0%	0%	30%	0%
Multi-National Force-West	On-file	5	6	0	0	0	0	0	0	10	0	2	1	3	3	0	0
	Not On-file	8	7	12	12	12	12	11	12	3	2	2	0	0	2	13	0
	Total Required	13	13	12	12	12	12	11	12	13	2	4	1	3	5	13	0
	% Missing	62%	54%	100%	100%	100%	100%	100%	100%	23%	100%	50%	0%	0%	40%	100%	N/A
Multi-National Security Transition Cmd-Iraq	On-file	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Not On-file	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total Required	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	% Missing	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total for Random Sample	On-file	88	72	42	43	73	71	71	71	89	40	80	18	27	77	68	4
	Not On-file	12	15	34	32	24	24	23	23	13	11	8	2	0	15	34	0
	Total Required	100	87	76	75	97	95	94	94	102	51	88	20	27	92	102	4
	% Missing	12%	17%	45%	43%	25%	25%	24%	24%	13%	22%	9%	10%	0%	16%	33%	0%
Total for Top 20	On-file	15	10	5	4	10	8	8	8	11	9	15	10	10	10	10	9
	Not On-file	0	4	6	7	5	6	7	6	4	5	0	3	2	5	5	2
	Total Required	15	14	11	11	15	14	15	14	15	14	15	13	12	15	15	11
	% Missing	0%	29%	55%	64%	33%	43%	47%	43%	27%	36%	0%	23%	17%	33%	33%	18%
Total for All Projects	On-file	103	82	47	47	83	79	79	79	100	49	95	28	37	87	78	13
	Not On-file	12	19	40	39	29	30	30	29	17	16	8	5	2	20	39	2
	Total Required	115	101	87	86	112	109	109	108	117	65	103	33	39	107	117	15
	% Missing	10%	19%	46%	45%	26%	28%	28%	27%	15%	25%	8%	15%	5%	19%	33%	13%

Source: SIGIR

Appendix C—Availability of CERP Project Folders

This table identifies by executing command the availability of project folders requested for review. To assess whether the major subordinate commands and MNSTC-I complied with MNC-I's guidance for project records, we requested 173 project folders for review. As indicated below, MNC-I could only provide 122 of the requested folders.

Executing Command	Number Requested	Number Provided	Number Not Provided	Percent Not Provided
Multi-National Corps-Iraq	4	4	0	0%
Multi-National Division-Baghdad	46	38	8	17.4%
Multi-National Division-Center South	11	5	6	54.5%
Multi-National Division-North	41	34	7	17.1%
Multi-National Division-Northeast	3	0	3	100%
Multi-National Division-Southeast	18	11	7	38.9%
Multi-National Force-West	29	13	16	55.2%
Multi-National Security Transition Command-Iraq	1	0	1	100%
Total Project Folders for Random Sample	153	105	48	31.4%
Total Project Folders for Top 20 Most Expensive Projects	20	17	3	15%
Total for All Projects Requested	173	122	51	29.5%
<i>Source: SIGIR</i>				

Appendix D–CERP Fund Uses & Restrictions

On July 27, 2005, the Office of the Under Secretary of Defense (Comptroller) published a list of uses and restrictions for CERP. The table below identifies the total number of authorized projects and obligations using fiscal year 2006 CERP Iraq appropriated funds for projects in Iraq as of September 30, 2006.

Authorized Uses - Fiscal Year 2006 Project Category	Number	Obligations
1. Water and sanitation - projects to repair or reconstruct water or sewer infrastructure, including water wells	659	\$ 138,250,913
2. Food production and distribution - projects to increase food production or distribution processes	17	\$1,302,366
3. Agriculture - projects to increase agricultural production or cooperative agricultural programs	58	\$28,614,675
4. Electricity - projects to repair or reconstruct electrical power or distribution infrastructure, including generators	421	\$81,755,958
5. Healthcare - projects to repair or reconstruct hospitals or clinics or to provide urgent healthcare services, immunizations, medicine, medical supplies, or equipment	232	\$25,838,505
6. Education - projects to repair or reconstruct schools, purchase school supplies or equipment	557	\$41,986,775
7. Telecommunications - projects to repair or reconstruct telecommunications systems or infrastructure	81	\$8,690,,536
8. Economic, financial, and management improvements - projects to improve economic or financial security	95	\$29,281,329
9. Transportation - projects to repair or reconstruct transportation systems, roads, bridges, or transportation infrastructure	480	\$66,970,347
10. Rule of law and governance - projects to repair or reconstruct such government buildings as administration offices, courthouses, or prisons	150	\$12,131,377
11. Irrigation - projects to repair or reconstruct irrigation systems	49	\$13,823,564
12. Civic cleanup activities - projects to remove trash, cleanup the community, or beautify the surroundings	234	\$17,143,268
13. Civic support vehicle - projects to purchase or lease vehicles to support civic and community activities	9	\$2,194,300
14. Repair of civic and cultural facilities - projects to repair or restore civic or cultural buildings or facilities	73	\$4,923,332
15. Repair of damage that results from U.S., Coalition, or supporting military operations and is not compensable under the Foreign Claims Act	59	\$1,490,369
16. Condolence payments to individual civilians for death, injury, or property damage resulting from U.S. Coalition, or supporting military operations	438	\$7,356,542

Authorized Uses - Fiscal Year 2006 Project Category	Number	Obligations
17. Payment to individuals upon release from detention	0	0
18. Protective measures – projects to enhance the durability and survivability of critical infrastructure sites (e.g., oil pipelines and electrical lines)	53	\$4,347,217
19. Other urgent humanitarian or reconstruction - projects to repair collateral battle damage not otherwise payable because of combat exclusions or condolence payments	146	\$23,595,065
Subtotal by Type of Project	3,811*	\$509,696,437
Funds Issued to Units / Project Details Pending**		\$ 352,888
Total		\$510,049,325

Source: Army Budget Office as reported to the Congress in its September 30, 2006, quarterly report. Number of projects by category and total number computed by SIGIR from information provided by Army Budget Office.

* On February 9, 2007, there were 3,854 CERP projects as compared to the 3,811 (shown above). This happens because commanders are sometimes provided bulk funds for CERP projects and the actual number of completed projects is not known until the MSC reports to MNC-I.

** Funds are obligated by Multi National Corps-Iraq (MNC-I) headquarters when issued to military units.

Restrictions

CERP appropriated funds shall not be used for the following 11 purposes:

1. Direct or indirect benefit to U.S., Coalition, or other supporting personnel
2. Providing goods, services, or funds to national armies, national guard forces, border security forces, civil defense forces, infrastructure protection forces, highway patrol units, police, special police or intelligence or other security forces
3. Except as authorized by law and separate implementing guidance, weapons buyback programs, or other purchases of firearms or ammunition
4. Entertainment
5. Reward programs
6. Removal of unexploded ordnance
7. Duplication of services available through municipal governments
8. Salaries, bonuses, or pensions of Iraqi military or civilian government personnel
9. Training, equipping, or operating costs of Iraqi Security Forces
10. Support to individuals or private businesses (exception: condolence and battle damage payments)
11. Conducting psychological operations, information operations, or other U.S., Coalition, or Iraqi Security Forces operations

Appendix E—Acronyms

ARDI	Agricultural Reconstruction and Development Program for Iraq
CERP	Commander's Emergency Response Program
DoD	Department of Defense
DoS	Department of State
IRMO	Iraq Reconstruction Management Office
IRMS	Iraq Reconstruction Management System
GRD	U.S. Army Corps of Engineers Gulf Region Division
JCC-I/A	Joint Contracting Command-Iraq/Afghanistan
JROC	Joint Reconstruction Operations Center
MNC-I	Multi-National Corps-Iraq
MNF-I	Multi-National Force-Iraq
MNSTC-I	Multi-National Security Transition Command-Iraq
MSC	Major Subordinate Command
PRDC	Provincial Reconstruction and Development Committee
PRT	Provincial Reconstruction Team
SIGIR	Special Inspector General for Iraq Reconstruction
STANFINS	Standard Financial System
USAID	U.S. Agency for International Development

Appendix F—Report Distribution

Department of State

Secretary of State

 Senior Advisor to the Secretary and Coordinator for Iraq

 Director of U.S. Foreign Assistance/Administrator, U.S. Agency for International Development

 Director, Office of Iraq Reconstruction

 Assistant Secretary for Resource Management/Chief Financial Officer, Bureau of Resource Management

U.S. Ambassador to Iraq

 Director, Iraq Reconstruction Management Office

 Mission Director-Iraq, U.S. Agency for International Development

Inspector General, Department of State

Department of Defense

Secretary of Defense

Deputy Secretary of Defense

Under Secretary of Defense (Comptroller)/Chief Financial Officer

 Deputy Chief Financial Officer

 Deputy Comptroller (Program/Budget)

Deputy Assistant Secretary of Defense-Middle East, Office of Policy/International Security Affairs

Inspector General, Department of Defense

Director, Defense Contract Audit Agency

Director, Defense Finance and Accounting Service

Director, Defense Contract Management Agency

Department of the Army

Assistant Secretary of the Army for Acquisition, Logistics, and Technology

 Principal Deputy to the Assistant Secretary of the Army for Acquisition, Logistics, and Technology

 Deputy Assistant Secretary of the Army (Policy and Procurement)

 Director, Project and Contracting Office

 Commanding General, Joint Contracting Command-Iraq/Afghanistan

Assistant Secretary of the Army for Financial Management and Comptroller

Chief of Engineers and Commander, U.S. Army Corps of Engineers

 Commanding General, Gulf Region Division

 Chief Financial Officer, U.S. Army Corps of Engineers

Auditor General of the Army

U.S. Central Command

Commanding General, Multi-National Force-Iraq*

 Commanding General, Multi-National Corps-Iraq*

 Commanding General, Multi-National Security Transition Command-Iraq

 Commander, Joint Area Support Group-Central

*Recipient of the draft audit report

Other Federal Government Organizations

Director, Office of Management and Budget
Comptroller General of the United States
Inspector General, Department of the Treasury
Inspector General, Department of Commerce
Inspector General, Department of Health and Human Services
Inspector General, U.S. Agency for International Development
President, Overseas Private Investment Corporation
President, U.S. Institute for Peace

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

U.S. Senate

Senate Committee on Appropriations
 Subcommittee on Defense
 Subcommittee on State, Foreign Operations and Related Programs
Senate Committee on Armed Services
Senate Committee on Foreign Relations
 Subcommittee on International Operations and Organizations, Democracy and Human Rights
 Subcommittee on International Development and Foreign Assistance, Economic Affairs and International Environmental Protection
 Subcommittee on Near East and South and Central Asian Affairs
Senate Committee on Homeland Security and Governmental Affairs
 Subcommittee on Federal Financial Management, Government Information, Federal Services and International Security
 Permanent Subcommittee on Investigations
 Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia

U.S. House of Representatives

House Committee on Appropriations
 Subcommittee on Defense
 Subcommittee on State, Foreign Operations, and Related Programs
House Committee on Armed Services
House Committee on Oversight and Government Reform
 Subcommittee on Government Management, Organization, and Procurement
 Subcommittee on National Security and Foreign Affairs
House Committee on Foreign Affairs
 Subcommittee on Middle East and South Asia
 Subcommittee on International Organizations, Human Rights, and Oversight

Appendix G—Audit Team Members

This report was prepared and the review was conducted under the direction of Joseph T. McDermott, Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction.

The staff members who conducted the audit and contributed to the report include:

Karen Bell

Michael A. Bianco

Glenn D. Furbish

W. Dan Haigler

Walt A. Keays

James B. Pollard

Clifton Spruill

Management Comments

Multi-National Corps-Iraq



REPLY TO
ATTENTION OF

HEADQUARTERS
MULTI-NATIONAL CORPS - IRAQ
BAGHDAD, IRAQ
APO AE 09342

FICI

21 April 2007

MEMORANDUM FOR Special Inspector General for Iraq Reconstruction,
400 Army Navy Drive, Arlington, VA 22202

SUBJECT: SIGIR Draft Audit Report, Report Number SIGIR-07-006
Management of the Commander's CERP for Fiscal Year 2006

1. The MNC-I staff has reviewed the subject audit report on the Commander's Emergency Response Program. We appreciate the opportunity to comment on the finding and recommendations (enclosed). I have directed the staff to take appropriate action.
2. Also enclosed are memorandums directing corrective measures prior to the receipt of this report. We strive to make continued progress on program coordination and records management in CERP. We appreciate SIGIRs assistance in this endeavor.
3. Point of contact is Colonel Printz, MNC-I C8 at DSN 318-822-3277.

FOR THE COMMANDER:

A handwritten signature in black ink, appearing to read "JA".

JOSEPH ANDERSON
Brigadier General, USA
Chief of Staff

Encl

SIGIR DRAFT AUDIT REPORT - DATED 17 APRIL 2007 REPORT NUMBER SIGIR-07-006

"Management of the Commanders Emergency Response Program for Fiscal Year 2006"

COMMENTS TO RECOMMENDATIONS

Recommendation 1: The SIGIR recommended that we enforce the CERP requirement that major subordinate commands submit completed CERP project files on a quarterly basis. We concur with this recommendation. We have addressed, through the MNC-I CoS and the CERP SOP, the record retention policy and process for completed CERP project files. Additionally, we have implemented a records recovery/reconstruction policy to remedy missing project files. We will outline this process in the next update of the CERP SOP. We will continue to work at maintaining a solid audit trail and good records accountability. With current JMD structure attributable to high personnel turnover, continuity and maintaining training personnel continues to be a challenge.

Recommendation 2: The SIGIR recommended that we require the major subordinate commands to keep on file monthly reports of the status of funds to validate that reviews are being done and that the two management-reporting systems are reconcilable. We concur with this recommendation. We will add this in the next update of the CERP SOP. Current CERP SOP, 1 November 2006, directs MSCs comptrollers to forward copies of their status of funds to MNC-I C8.

Recommendation 3: The SIGIR recommended that we continue to reinforce coordination efforts with major subordinate commands to ensure that CERP projects are successfully integrated with IRMO reconstruction operations. We concur with the recommendation and are continually refining our efforts to maximize the coordination between all of the parties involved with the reconstruction effort in Iraq. It is our goal to ensure that CERP projects are coordinated with other agencies projects to include GOI funded initiatives in order to achieve the maximum effect from all reconstruction efforts. In addition to the battle space commanders and PRTs working projects through the PRDCs, there are various interagency forums to coordinate project efforts and their effects.

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Public Affairs	<p>Denise Burgess Assistant Inspector General for Public Affairs Mail: Office of the Special Inspector General for Iraq Reconstruction 400 Army Navy Drive Arlington, VA 22202-4704 Phone: 703-428-1217 Fax: 703-428-0818 Email: PublicAffairs@sigir.mil</p>